Low tax revenue to GDP ratio

1281. SHRIMATI BIMBA RAIKAR: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether India's tax revenue to GDP ratio is among the lowest not just among the developed nations but many developing countries as well;

(b) whether negligible contribution to tax kitty from both agriculture and service sectors alongwith numerous tax exemptions are the main causes for the relatively low tax revenue to GDP ratio; and

(c) if so, the steps being taken to improve the ratio?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI GINGEE N. RAMACHANDRAN): (a) India's tax revenue-to-GDP ratio has improved in recent years but is lower compared with that of some developing and developed countries.

(b) Exemption of agricultural income from income tax is one of the reasons for the low tax-to-GDP ratio. Tax and duty exemptions are provided to specific sector/sections in accordance with policies of the Government to promote economic growth and equity though these exemptions also contribute to lowering the tax-to-GDP ratio. Tax on services is a comparatively recent measures.

(c) Steps taken to improve the ratio include various measures for widening of the tax base; proper deduction of tax at source; regular review of tax exemptions with a view to rationalising some and eliminating some others; promoting voluntary tax compliance through stable and moderate tax rates and simplification of rules and procedures; modernisation of tax administration alongwith computerisation, etc. The scope of tax on services has also been widened over the years. All these constitute a continuous process.

US investment in India

1282. SHRIMATI BIMBA RAIKAR : Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the US Ambassador to India has recently commented that US investors have reservations in investing in India due to high

tariff and tax regime coupled with Government interference in the corporate sector;

(b) whether many other overseas investors have expressed lack of confidence, whether the sanctity of contracts would be honoured in India; and

(c) whether it is a fact that China receives more investment from US than India and if so the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) Government is aware of the observation made by the US Ambassador.

(b) No, Sir.

(c) It is difficult to make a direct comparison between India and China. Some of the reasons for the reported larger FDI inflows in People's Republic of China are:

(i) China opened up more than a decade ahead of India.

(ii) China extends preferential treatment to foreign direct investment (FDI) in terms of taxation, labour policy etc. whereas India generally pursues a uniform policy for both resident and non-resident investors.

(iii) Difference between the methodologies of computing foreign investment in two countries.

Investment by Asian Development Bank

1283. SHRI R. P. GOENKA: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Asian Development Bank is going to invest $ 80 billion in India;

(b) what are the projects that are going to be financed from this assistance; and

(c) how much of the assistance will be available for private sector projects?